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up, and second, the difficulty of estimating the future price of the product and future expenses of operation.

The third and final "approximation" consists in taking account of the "contingent modifying circumstances." Such, for example, are the peculiar risks attending mining in new countries, the enactment of special mining laws, etc. It is interesting to note that the writer is inclined to doubt the wisdom of state interference with mines, thinking that if allowed free scope private enterprise will work out the most advantageous organization of the industry.

The theoretical chapter confessedly presents no new principle, but it emphasizes the importance of several elements of the problem that one less intimately acquainted with the subject than Dr. Einaudi might overlook. The manner of exposition, however, is rather pedantic in its formalism. More valuable is the detailed account of the development of mining organization. The book is very readable, but, like many of his countrymen, Dr. Einaudi allows a certain facility of style to betray him into diffuseness.

WESLEY C. MITCHELL.

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*Report on the Adoption of the Gold Standard in Japan.* By COUNT MATSUKATA MASAYOSHI, H. I. J. M's Minister of State for Finance. Tokio: Government Press, 1899. 8vo, pp. xvi + 389.

THE monetary history of Japan is here given in a lucid way by the minister who has been most influential in bringing about the establishment of the Bank of Japan and the gold standard. A brief report summing up results is followed by an orderly series of chapters, giving the details of each step, with tables of statistics.

The history divides itself into four periods: (1) 1868-1871, the beginning of the new régime; (2) 1872-1879, the new coinage, and depreciated inconvertible paper; (3) 1880-1885, the convertibility of the paper into silver; (4) the change in the standard from silver to gold.

The coinage system in operation in 1868 had lasted since 1600 without change, but while nominally intact it had been ruined by debasement. Unfortunately, the report gives no information in detail on this early period. But under the restoration, as early as 1871, it appears that plans had already been made looking forward to the gold

standard. The recent action of Japan, therefore was not due to a sudden decision, but in fact harks back to the time when Germany began her reform. The second period has many resemblances to the years of our Civil War, when resort to inconvertible paper caused great depreciation and serious financial disaster. The lesson of this experiment, like that of Russia, is that the value of such paper is dependent on the arrangements, potential or effective, for redemption. For the third period is given over to the carrying out by Count Matsukata (who became minister of finance in October 1881) of measures to secure a specie reserve from the surplus at the same time that he was retiring some of the inconvertible paper. With us, as with Russia, fiscal and monetary concerns had been confused, and fiscal deficits had been met by issues of paper money. The essence of the reform consisted in divorcing monetary from fiscal operations (p. 41). The clearheadedness with which the essential end was seen and kept in view shows financial ability of the first order. And in other parts of the process of reform practical shrewdness is a marked characteristic of the treasury management. (For instance, the exactness with which the minister hit upon the amount of Japanese silver which might return from abroad for redemption before July 31, 1898.) The steady accumulation of specie (*i. e.*, silver) went on in this period, until on January 1, 1886, resumption of specie payments was accomplished. The separation of the fiscal from the monetary system led naturally to the establishment of a great Central Bank (1882), through which the currency of the country should be regulated. The policy of Japan towards banks lies in giving up numerous national banks like those of the United States for a central institution like those of European states. By the act of 1888, all national bank notes, and all government paper money, were exchanged into convertible silver notes of the Bank of Japan (p. 88). The outcome (in 1898) shows convertible bank notes of 197,399,901 yen (with a gold reserve of 65,513,471 yen), and a practical elimination of government paper and national bank notes, and a specie circulation of 146,454,978 yen (of which 83,648,654 yen was gold).

Since the removal of the government paper was only a step in a carefully arranged series of measures, the culmination of the monetary policy is to be found in the fourth period (1886-1898), in which the transition was effected from a silver to a gold standard. The reason for the change was, in substance, the same as the reason for abolishing

the inconvertible and fluctuating paper standard. The instability of the silver standard showed itself so characteristically in 1893, that the adoption of gold was only a question of means and opportunity. The opportunity came with the payment of the Chinese indemnity, which was exacted in British money (although originally provided for in *Kuping Taels*, or silver). The change of the standard was brought about by Count Matsukata in the act of March 29, 1897 (see this JOURNAL, June 1897, p. 378), in spite of considerable opposition. The problem was the redemption in gold of silver 1-yen pieces, of which 165,133,710 had been coined in all. For this purpose 74,455,735 yen of gold had been coined by April 1898. The time for exchange, which had been fixed at five years by the act of 1897, was subsequently shortened to the period between October 1, 1897 and July 31, 1898. Of the silver yen, 99,508,740 had been exported, 11,028,633 taken out during the war with China (1894-5) and 5,732,027 sent to Formosa. 45,588,369 yen of silver were exchanged for gold by July 31, 1898. Besides the silver coins, 29,505,453 yen of silver mint receipts given to private persons for deposits of silver bullion were redeemed in gold.

The government now had on hand 75,093,822 yen of silver to be disposed of. No other part of the plan was better managed. 27,567,012 yen were recoined into subsidiary money by 1899; 6,740,148 yen were used in Formosa, Korea, and elsewhere; and 40,786,662 yen were sold in China—all within a year and three months after promulgation of the new law. The shrewdness of the management appears in finding that the loss on the silver sold was only 5,553,312 yen, which was covered by the profit on the seigniorage of subsidiary coins amounting to 5,651,961 yen. This is a highly creditable record, from which the United States has much to learn.

The results of the establishment of the gold standard have been (1) steadiness in exchange; (2) a great increase in exports to and imports from silver-using countries; (3) improved foreign credit and trade relations with gold-using countries; and (4) better currency conditions at home. This latter change may be seen by contrasting 1884 with 1898. In the former year there was a specie circulation of 53.5 millions yen (of which 11.9 millions were gold), 93.3 millions of government paper, 31.0 millions of national bank notes, or a total circulation (less reserves) of 177.9 millions. In 1898 the specie circulation was 146.4 millions (83.6 millions being gold), the government paper 5.4 millions, national bank notes 1.8 millions, convertible notes of

Bank of Japan 197.3 (having 65.5 millions in gold reserve), or a total circulation (less reserves) of 285.6.

J. LAURENCE LAUGHLIN.

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*Le Credit Commercial et la Banque Nationale de Belgique.* Par GUILLAUME DE GREEF. Bruxelles: O. Mayolez et J. Audiarte, 1899. 8vo. pp. x+469.

THOSE who have the courage to read M. de Greef's big book, consecutively and fully, will perhaps find themselves at a loss to understand just why it has appeared in its present form. The volume may roughly be divided into four parts, each apparently animated by a different purpose. In the first portion of his work the author seeks to give an account of the functions of credit; in the second appears a general view of systems of banking as now carried on by the principal commercial nations of the world, *e. g.*, England, Germany, the United States, etc. The third part is occupied with a historical account of the Bank of Belgium; the fourth criticises the organization of the institution and its recharter. Little connection between the various portions of the the plans for work can be traced; in short, the book appears to be the result of a process of accretion and not a product of deliberate construction.

According to the preface, the first part, dealing with the analysis of the processes of credit was the basis upon which the book was originally projected. "Cet ouvrage," writes the author, "est specialement consacré à l'étude de la structure et du fonctionnement de la circulation et du credit en matière commerciale;" yet the section dealing with commercial credit covers but a bare seventy-one pages out of a total of 479. Perhaps this brevity should not be regretted, for the author's discussion of credit is as weak as any portion of his work. Not that this discussion startles by its novelty—such is far from being the case. "In its simplest form," says M. de Greef, "*credit* is a *loan* of goods or money." Three "functions" of credit are recognized, (1) to effect a transfer of the means of production, (2) "to create social means of production by augmenting those which naturally exist," and (3) "to economize the use of money." Here appears at once the old and too familiar confusion between credit, credit instruments, and credit institutions. Nor is this the worst. Speaking of the second function ascribed by him to credit, M. de Greef writes: